

Date: January 31, 2001

To: Inter-Regional Partnership Members

From: Staff

RE: Jobs-Housing Incentives Program

**INTER-REGIONAL
PARTNERSHIP**
Alameda County
Contra Costa County
San Joaquin County
Santa Clara County
Stanislaus County



Background

The Inter-Regional Partnership (IRP) is developing an incentives program for application to selected jobs/housing opportunity zones in the IRP counties. The incentives program is meant to entice developers to build housing and/or commercial development within the selected zones. Economic incentives can also act as attractors to business owners making a location, expansion, or relocation decision; while housing incentives can be targeted to potential homeowners and developers.

To initiate the process of developing both a housing and economic development incentives package, the IRP, through ABAG, contracted with Professor Richard T. LeGates and worked with Alameda County Economic Development Alliance who hired Applied Development Economics (ADE). Both LeGates and ADE have furnished the IRP with background documents detailing the types of housing and economic development incentives available from federal, state and local agencies. The consultants have also added other opportunities and insights throughout the reports. Both reports were forwarded for your review on January 12, 2001. A synopsis of both consultant reports is attached.

The purpose of this report is to present the inherent problems with pre-selecting a finite list of incentives for application to future jobs/housing zones and to offer an alternative solution. These problems were identified through the consultant reports and during the course of staff meetings with the consultants and the economic development working group.

In this report, the IRP will be asked to consider:

- Developing a comprehensive incentives plan that includes both housing and economic incentives to be made available to jobs/housing zones.
- Seeking required new legislation for creating the described comprehensive incentives package at the state level.
- Suggesting that regional and local authorities develop incentives that can be applied to jobs/housing zones.

Discussion

Concerns with Original Incentives Concept

At the onset of the State Pilot Project, and as demonstrated in the jobs/housing legislation, it was suggested that the IRP select a “list” of both housing and economic development incentives for application to jobs/housing zones. Several incentives noted in AB 2864 include:

- Providing tax credit priority for development of multifamily residential projects; and
- Providing a return of property tax for development of affordable housing; and
- Pooling of redevelopment funds; and
- Tax-increment financing.

The problem with the original concept is twofold. First, attempting to define a pre-selected list of incentives for application to unknown sites and potential developers is problematic. Housing, commercial, and mixed-use developments all have individualized needs and will therefore respond to different incentives packages. Attempting to anticipate those needs with a pre-defined list of incentives is guesswork at best. In other-words, a pre-determined set of incentives may not necessarily be appropriate for the zones that are eventually selected by the IRP.

The second concern with pre-selecting a finite list of incentives is the limited nature of such a list. By only offering a few incentives to developers, the IRP zones would not have a strong competitive advantage. Both the housing and economic development incentives reports express the importance of jobs/housing zones having a “competitive advantage” over other areas. Areas designated as enterprise zones, redevelopment zones, and manufacturing enhancement areas can offer incentives to developers that the IRP would not have access to, thereby weakening its competitive advantage.

Ensuring that the jobs/housing zones are fully competitive and have a comprehensive set of incentives available to them will require making available, in addition to state level incentives, both regional and local incentives. A demonstrated regional and local commitment to improving the jobs/housing balance will increase the zones’ competitiveness in the market place as well as illustrate to the state the IRP’s commitment to resolving the jobs/housing imbalance.

Discussions held with the consultants, the economic development working group, and with COG staff about the incentives program have lead staff to find an alternative approach.

Recommended Solution

To remedy the above problems with the incentives program, staff recommends that the IRP develop a comprehensive, rather than limited, set of incentives that can be made available to jurisdictions, developers, and homeowners. Offering a complete set of incentives would allow the IRP to pick and choose those incentives that fit the exact needs of the above groups. A comprehensive incentive program would also permit selected jobs/housing zones in the IRP to achieve a competitive advantage when competing for development. Making jobs/housing zones eligible for all available state level housing and economic development incentives will require legislative action. The IRP will work with the State to make jobs/housing zones eligible for all incentive programs currently available to any community under California law, including those currently only available to certain designated areas.

Requested Action

Staff requests that the IRP:

- Develop a comprehensive incentives plan that includes both housing and economic incentives to be made available to jobs/housing zones.
- Direct staff to take the initial steps toward obtaining required legislation for creating the described comprehensive incentives packages at the state level.
- Recommend that regional and local authorities develop incentives that can be applied to jobs/housing zones.

HOUSING & ECONOMIC DEVELOPMENT INCENTIVES REPORTS

SYNOPSIS

Housing Incentives Report

The primary focus of the housing incentives report is a comprehensive list of existing housing incentives available to developers, jurisdictions, and homeowners from federal, state, and local agencies that the IRP might compete for. LeGates' report also includes suggestions on how existing housing incentives may be modified to better suit the goals of the IRP. Finally, the housing incentives report goes a step further and recommends major new directions that the IRP may consider in developing a housing incentives program. A sample of LeGates' recommendations include:

- **IRP Implementation Grants:** LeGates suggests that the IRP seek legislation to fund IRP implementation grants, for many federal and state programs award funding in two phases: planning and implementation. Ordinarily implementation funding is much greater than planning funding, sometimes as much as 10 – 20 times that of planning grants.
- **Housing Opportunity Zone Strike Force Teams:** Similar to the economic development strike teams authorized in AB2864, jurisdictions working in concert with non-profit housing developers could push for the authorization to develop "housing strike teams" to develop housing opportunity zone plans.
- **Housing Linkage Fees:** Recognizing that new office development generates housing demand and negatively impacts the availability and affordability of existing housing, IRP jurisdictions could develop housing "linkage" fees requiring office developers to build housing units or pay in lieu of fees to mitigate the impact new developments have on an areas housing availability and affordability.

In his closing remarks, LeGates offers several actions the IRP may immediately employ, including:

- Devote staff time and IRP funds on writing grant proposals for monies for IRP activities. LeGates suggest that these grants be pursued after jobs/housing sites are identified.
- Pursue new state legislation for things such as flexible IRP "implementation grants" and new legislation to fund housing opportunity strike teams.
- Advocate for changes in existing state and federal incentive programs. This could include getting agencies to change program rules so that the programs will work better for housing opportunity sites, obtaining more favorable treatment for IRP sites in program funding scoring, or getting funds earmarked for IRP sites.
- Seek housing incentive funding available through AB 2864 or via other programs, e.g. CHFA's HELP Program for member jurisdictions or for the IRP itself as a conduit to IRP housing opportunity sites.

Economic Development Incentives Report

As with the housing report, James R. King of Applied Development Economics offers, in addition to a menu of available fiscal and non-fiscal incentives, a recommended course of action given the issues behind the jobs-housing imbalance. James King's recommendations include:

- **Regional Jobs/Housing Balance Strategy:** Develop a regional jobs-housing balance strategy that is adopted by each IRP member jurisdiction. The regional strategy would quantify the imbalance in the region and allow each individual jurisdiction a better understanding of how they might devise a solution to the jobs/housing imbalance

within a regional context. A key component of the regional strategy would be an analysis of the expected source of employment growth from among the various industrial clusters located in the IRP counties.

- **Reduce Cost of Off-Site Improvements:** Improve the competitive position of the IRP region in the marketplace by reducing the cost of off-site improvements. The IRP should seek state and/or federal funding for the sole purpose of making commercial and industrial sites in a jobs/housing opportunity zone “market ready.”
- **Improve Quality of the Workforce:** Job poor communities in the IRP counties need a workforce that meets the requirements of prospective businesses. Funding for employment preparation is available through Workforce Investment Boards, local community colleges, Regional Occupational Programs, and other public and private sources.
- **Reduce the time for Permit Processing:** Build into the jobs/housing opportunity selection process criteria to encourage participating jurisdictions to reduce the time for processing local development proposals.
- **Blanket Incentives Package:** Develop a comprehensive portfolio of incentives, including housing incentives, that jurisdictions can draw from to meet the immediate interests and concerns of a prospective firm. Available incentives should include those currently available in existing enterprise zones, redevelopment zones, local agency military base recovery areas, manufacturing enhancement areas, and targeted tax areas.